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Chapter 10 – Grants Management

The rules for processing grant-related transactions will vary, depending upon the requirements of the specific grant. Agencies are required to process transactions in accordance with state policies and procedures. If the requirements of an individual grant are inconsistent with state policy, the federal requirements will usually take precedence in order not to jeopardize grant eligibility. Agencies should contact their grants management personnel, OMB, or the DOF, as appropriate, if they have any questions.

Grants Management consists of two major components:

- Grant Application and Proposal Process (Pre-Award Processing)
 - Proposal Maintenance – includes project assignment, activities, and budgets that contain indirect costs, matching (cost share) and program income.
- Grant-Related Transactions (Post-Award Processing)
 - Grant Award – includes contract and billing information, project transactions tracking and project budget modifications.
 - Transaction Tracking – includes the capturing of all Accounts Payable, eProcurement, Purchasing, and General Ledger activities.

10.1 General Information and Definitions

Some general definitions include:

- A grant is the giving of funds, or any monetary aid, for a specific purpose.
- The grantor is the person or organization that provides the funds, also referred to as the “sponsor”.
- The grantee is the recipient of the funds, also referred to as the “Owner of the Grant”. The grantee may be a department, an agency, or a program. All pass-through agencies are defined by the Owner of the Grant.

The following table lists the various types of grants:

<u>Type of Grants</u>	<u>Explanation</u>
Direct Grant	Direct grants are funds received by a state agency directly from the federal government to run a specific program cataloged in the Catalog of Federal Domestic Assistance (CFDA). The CFDA number is required. NOTE: Some grants received by agencies have not been cataloged yet and do not have a CFDA number.
Sub-grant (or Pass-Through Grant)	Sub-grants (pass-through grants) are funds passed through from one state agency to another state agency, at which time the sub-grantee becomes responsible for complying with the rules and regulations governing the program, audit issues, etc. All sub-grant post-award activities are to be completed by the Owner of the Grant. Sub-Grant agencies are responsible for communicating all requirements during Pre-Award set-up and Post-Award amendments.
Indirect Grant	Indirect grants are funds received by a state agency from a cataloged federal program for a private, nonprofit, local government or higher education facility.
Reimbursable Grant	Reimbursable Grants are funds received for programs to be operated on a reimbursable basis as mandated by federal law. The State must cover payment of bills before reimbursement can be requested from the federal agency.
Prepaid Grant	Prepaid Grants funds are advanced at the beginning of the grant for the full amount of the grant, and agencies are required to account for the expenses associated with the grant. Prepaid grants are identified under Post-Award.
Non-federal Grant	Non-federal grants are funds received by a state agency from other than federal sources. Non-federal grants are also required to be entered in the State's financial management and accounting system, which requires the SPOC form, and must go through DSCC for review and approval.
Block Grant	A block grant is a consolidated grant of federal funds, formerly allocated for specific programs, that a state or local government may use at its discretion for such programs as education or urban development, and provides money for general areas of social welfare, rather than for specific programs.
Blue Bird Awards	Blue Bird Awards are federal funds received as grants, without a formal grant application. These funds occur and are maintained during the Post-Award process. They must still be reviewed and approved by DSCC.

Not all federally provided funds are grant funds. A state agency may receive funds from a federal agency, a cataloged federal program, or from another state agency to supply a deliverable or perform a service under a contract or cooperative agreement. Occasionally, the funds are derived from a federal agency's operations budget or from other funding sources and are not treated as grant funds. Agencies receiving these funds are bound by the specific contract terms when supplying a deliverable or performing a service under contract or cooperative agreement. These monies are not considered grant funds, and the use of these monies is not governed by this chapter.

10.2 Grant Application and Proposal Process (Pre-Award Requirements)

To begin the process, an agency prepares a grant application in the State's financial management and accounting system. Pre-Award requires the following:

10.2.1 General Grant Requirements

10.2.1.1 The Owner of the Grant Concept

The grant application must be completed by the Owner of the Grant, which is the agency applying for the federal funds. The establishment of the Owner of Grant requires the following steps to be performed during the set-up:

- A. Identify if pass-through or sub-grantee will be applied.
- B. Identify the types of activities (federal reporting) that will be undertaken.
- C. Identify if cost share (matching) will be applied and which department will be supplying the required match.
- D. Identify required items within spending plan for each project and activity.
- E. Identify if indirect costs are applied and which rate agreement is to be utilized.
- F. Identify if indirect cost distributions are required and which department(s) are associated with the receipt of indirect revenue.
- G. Identify if program income is applied.

10.2.1.2 Proposal Requirements

- A. The proposal must include grant description, grant title which is identified on the federal grant notice, project manager, CFDA number, and spending period authority (start and end dates, **does not** include 90-day close out period).

The Catalog for Federal Domestic Assistance (CFDA) number is the federal catalog number assigned by the federal sponsor to the grant. The state agencies are required to include the CFDA number on federally funded grant applications and the Grant Pre-Award to comply with federal and state audit requirements. The State must submit to the federal government a Schedule of Expenditures of Federal Awards (SEFA) report, which contains a listing of all federally funded grants by CFDA number for the State. The SEFA report is coordinated through DOA.

NOTE: If a grant application does not request federal funding, then a CFDA number is not required. However, if a grant application does not support a CFDA, coordination with DOA is required to ensure the SEFA information is entered and updated within the State's financial management and accounting system.

The CFDA number is found on the Catalog for Federal Domestic Assistance online database. The database contains all federal programs available to state and local governments, federally-recognized Native-American tribal governments, territories and possessions of the United States, domestic public, quasi-public, and private profit and nonprofit organizations and institutions, specialized groups, and individuals.

Additional information on the Catalog for Federal Domestic Assistance database may be found at <https://www.cfda.gov>.

- B. Establishment of a multiple year grant:

If the grant has three years as one long budget period, then the grant should be created with the date range as defined by the federal government with the establishment of one budget period.

If the grant has three individual spending periods, each one year in length, then the grant should be established as separate grants and support their own budgets.

10.2.1.3 Project Requirements

- A. All agencies receiving pass-through funds must be represented within the grant.
- B. All grant applications must reflect specific activities or objectives of the grant which are assigned by the Owner of the Grant.
- C. Indirect costs are to be apportioned by the Owner of the Grant.

10.2.1.4 Indirect Costs

Indirect cost allocation is a cost accounting process, in which administrative support costs are developed and distributed to the agencies receiving the benefit. The amount each agency receives is in proportion to the agency's relative use of the services provided.

Administrative support and/or the provision of centralized services exist at both the statewide and agency levels and may be comprised of activities, such as budgeting, accounting, auditing, facilities management, administration, personnel, and information technology services.

Indirect costs are developed and distributed through:

- 1. An annually updated Statewide Indirect Cost Allocation Plan (SWCAP), and
- 2. The development of individual departmental indirect cost rate proposals.
(29 Del. C. §6102(k))

A. Statewide Indirect Cost Allocation Plan (SWCAP)

Each fiscal year, OMB oversees the preparation, submission, and negotiation of a Statewide Indirect Cost Allocation Plan (SWCAP) with the designated federal agency, designated as the State's cognizant agency, which is currently the Department of Health and Human Services. The indirect cost allocation plan is prepared on a budgetary basis, using a multiple rate methodology. The plan identifies both the category and amount of statewide central service costs traceable and attributable to state agencies, which forms the basis for preparation of agency indirect cost rate proposals.

B. Indirect Cost Rate Proposals

OMB will oversee the preparation, submission, and negotiation with the designated federal cognizant agencies, departmental indirect cost rate proposals for those state agencies requiring significant federal funds, by April 15 of each fiscal year. Departmental indirect cost rate proposals will be prepared on a

budgetary basis, using a multiple rate methodology, which distinguishes between statewide indirect costs and departmental indirect costs at the divisional or sectional levels of each agency, as appropriate.

Each agency is responsible for forwarding the Indirect Rate Agreement to OMB.

C. Indirect Cost Recoveries

i. Statewide Indirect Cost Recoveries

The portion of indirect cost recoveries, identified from statewide indirect costs that will be recovered from federal grants and returned to OMB.

ii. Departmental Indirect Cost Recoveries

The portion of indirect cost recoveries, identified from departmental indirect costs, that may be retained by the state agency for the agency's discretionary use or as authorized by the Annual Appropriations Act.

iii. Direct Bill Recoveries

Central service allocations identified by State Special Fund activities that are recovered from state agencies, without exception, and turned over to the appropriate central service agency. These Special Fund activities include:

- a. Audit activities of the State Auditor;
- b. Personnel activities of OMB;
- c. Information technology services provided by DTI, and
- d. The services of Printing and Publishing arising from the current period.

iv. Budget Submissions

Indirect costs must be provided for in all budgetary submissions, accompanying federal funding requests to DSCC.

Any exceptions to this policy will be made when the federal program does not allow for indirect cost recovery. Such instances must be noted on the budgetary submissions.

Current indirect cost rates are retained on file by the specific agency and the OMB, Chief of Financial Management Services, and for all State agencies. The indirect cost rates on file must be budgeted and claimed in all federal fund

applications. OMB will review these indirect cost rates. Upon completion of the review, OMB forwards the indirect cost rates to the central grants management personnel.

v. Agencies Without Indirect Cost Rate Proposals

State agencies may administer only limited federal programs, which do not warrant the development of formal indirect cost rate proposals. If state agencies intend to recover any indirect costs, these agencies are still required to identify and budget for the appropriate amount of both statewide and agency indirect costs in grant submissions to OMB. If agencies are unsure whether or not a limited federal program requires an indirect cost rate recovery proposal, they may contact OMB.

When no formal indirect cost rate has been prepared for an agency, OMB provides assistance in making a fair determination of the portion of statewide indirect costs applicable to federally funded activities. Federal programs that do not allow indirect cost recoveries must still budget with approved rates for audit services and personnel services, even if recoveries are not made. Agencies are responsible for applying the indirect cost rates within the State's financial management and accounting system.

vi. Payments to OMB

Indirect costs recovered from federal programs must be transmitted to OMB on a quarterly schedule, at the minimum.

vii. Public Education

Public Education operations (DOE, local school districts, and charter schools) are exempt from participation in the statewide portion of the Indirect Cost Program.

D. Waiver of Payment of Indirect Costs

All funds received under any federal program, which allows indirect cost recovery, will be subject to the State's Indirect Cost Recovery Program. The only exception will be with the expressed written approval of the OMB Director, Chief of Financial Management Services, and the involved agency head or secretary.

Waiver requests must be made in writing to the OMB Director, presenting the following information for review:

- i. Specific program identification;
- ii. Program status, including:
 - a. Whether the program is capped, level funded, or cut;
 - b. The dollar amounts involved;
 - c. The impact of non-approval of the waiver request;
 - d. The future year outlook and considerations; and
- iii. If a department is waiving recovery of departmental indirect costs.

An approved waiver is applicable only to a single fiscal year. Multi-year programs must be reviewed on an annual basis, and an updated waiver request must be processed, if a waiver is needed.

No waivers will be granted for direct cost recoveries. These costs are due from reimbursements received or from other agency funds. Those agencies, which are not utilizing these services, will not be assessed for these costs.

E. Federal Audit Set-Aside

The State has established a process to set aside federal funds to cover the cost of that portion of the statewide single audit, which includes the audit of federal grants.

With the exception of DelDOT, all state agencies, which retain dollars for the intended use of the federal program, are responsible for payment of audit fees at a rate of three-tenths of one percent (0.3%) of all federal funds received. If the funds represent either pass-through dollars or contracted dollars, then the participants negotiate an agreement to determine who is responsible for payment of the audit fees.

Every agency and school district must budget for audit fees, which are collected by OMB. All school districts, receiving federal grants, are responsible for payment of audit fees at a rate of five-tenths of one percent (0.5%) of all federal funds received.

OMB is the responsible agency to pay all federal audit billings on behalf of the agencies, except DelDOT and school districts.

F. Sub-grants

Sub-grants are federal funds or other grant monies received indirectly by a state agency, usually through another state agency.

i. Eligibility of sub-grantees

State agencies, who sub-grant federal funds to other state agencies, shall pursue requests for recovery of indirect costs by the sub-grantee state agency if:

- Indirect costs are recoverable from the sub-grant; and
- Indirect cost allocation to sub-grantee federal programs is done in a manner consistent with federal cost principles.

ii. Agencies With Formal Indirect Cost Rates

If the sub-grantee agency has a formal indirect cost rate that is recognized by a cognizant federal agency, then the grantor state agency may approve indirect costs charged to sub-grants. The indirect costs charged must be based upon the submission of documentation, indicating these rates exist.

iii. Agencies Without Formal Indirect Cost Rates

If the sub-grantee agency does not have a formal indirect cost rate, the grantor state agency is responsible for negotiating with the sub-grantee agency for the application of indirect cost rates to the subgrant. A multiple rate methodology is desirable in these situations, but a single rate is acceptable if, by its use, indirect cost allocations to sub-grants are not distorted or misrepresentative.

iv. Recovery of Statewide Costs

In all cases of indirect cost recoveries from sub-grants to other state agencies, the statewide portion of indirect costs applicable to the sub-grantee State agency is recoverable by OMB.

v. External Agencies

State agencies that sub-grant federal funds or grant state funds to external private agencies or other governments are responsible for assuring that indirect costs claimed by such external agencies are fairly determined.

10.2.1.5 Grant Spending Plan (Budget)

For each grant, the Owner of the Grant must provide a spending plan (budget), which must address, if applicable:

- A. A negotiated indirect cost rate agreement (if applicable);
- B. A budget that identifies specific objects of expenditure, including:

- ◆ **Contractual Services**

Agencies completing a service for another state agency are to be identified as contractual services, rather than being created as a separate project in the State's financial management and accounting system.

- ◆ **Personnel Requirements:**

- i. OMB requires all personnel being paid with federal funds from a grant to be identified on the spending plan for that grant. Agencies may either identify their Full Time Equivalent (FTE) employees associated with a grant on the external Personnel Summary form or within the grants application in the State's financial management and accounting system.
- ii. Each person's percentage of time allocated towards the grant should be recorded with each individual identified within the spending plan. Agencies, utilizing the spending detail to identify personnel are not required to complete the Personnel Summary, unless a new position has been added or a new grant submission has been included. Agencies not utilizing the spending detail to identify personnel are required to complete the Personnel Summary. Agencies with a large number of personnel should contact the State's grants management personnel for assistance in completing the Personnel Summary.
- iii. Personnel costs must be separated within the following categories:
 - a. Salary supported 100% with federal funds.
 - b. Salary split-funded between both state and federal funds.
 - c. Salary supported 100% with state funds.
 - d. Salary identified as a matching requirement:

- 1) Create a listing of all employees associated with the grant.
This listing should support the categories identified above.
 - 2) Identify the effort percentage for each employee.
 - 3) Identify if the personnel cost must include the annual Other Employment Costs (OEC), as defined annually by OMB.
 - 4) Identify if the person is a new employee and the benefit amount must be included (\$10,000).
- C. Associate matching requirements, which should also identify the department contributing to the match.
- D. Other objects of expenditure Travel, Supplies, etc.

10.2.1.6 Cost Share (Matching)

- A. Identify those budget items that are match-related.
- B. Identify the required matching percentage.
- C. Identify the department(s) that will be providing the match.
- D. General information about summary cost sharing includes the following:
 - ◆ Cost shares (includes third-part cost shares where the appropriate institution information is identified), percentages, or fixed dollar amounts to be entered into the State's financial management and accounting system.
 - ◆ Department must be included for indirect cost distribution purposes, if cost sharing by institution.

10.2.1.7 Spending Plan Capping Requirements

The spending plan of the grant is based on the total amount of the budget for the grant. When the application has been reviewed and approved by DSCC but the formal grant award notice has not been received by the agency, OMB will permit the Owner of the Grant temporary spending authority of a maximum of 15 percent of the total amount of the grant. This requirement does not apply to new grant requests.

10.2.1.8 Proposal Identification Number (formerly SAI number)

The State Proposal Identification Number is system generated by the State's financial management and accounting system.

10.2.1.9 Approval Process

All grant applications must be completed and processed within the State's financial management and accounting system before submission to DSCC.

10.2.2 State Review Requirements (SPOC, DSCC)

Prior to submitting state or local plan(s) or application(s) to federal or non-federal authorities for the purpose of receiving funds, such plan(s) or application(s) shall be submitted to the Clearinghouse Administrator, Single Point of Contact (SPOC) for Delaware, for review and approval or disapproval by DSCC.

29 Del. C. §7603

Housed at OMB, the State's Single Point of Contact (SPOC) coordinates the grant review process. The establishment of federal and non-federal grants and corresponding spending authority is the responsibility of OMB, through the State's SPOC.

When the grant is ready for formal OMB review, the grant application and SPOC form are electronically processed within the State's financial management and accounting system. The grant application and the SPOC form are approved internally by the agency, and then, they are electronically submitted to the SPOC at OMB.

NOTE: The SPOC forms are system generated in the State's financial management and accounting system from the Pre-Award collected data. A template of the SPOC form and the instruction manual are located on the OMB's website at <http://budget.delaware.gov/clearinghouse/fedgrants.shtml>.

10.2.2.1 SPOC Review and Fiscal and Policy Analyst Review

The grant application is reviewed by the SPOC for completeness and accuracy, forwarded to OMB and Fiscal and Policy Analysts, who review the grant applications for appropriate uses of the requested funds. Both the SPOC and the Fiscal and Policy Analysts must approve the grant applications, before the applications are scheduled for review by DSCC. If a grant application is not approved, it is returned to the agency who requested the grant with a written explanation as to why the application was not approved. Requested modifications to the grant application must be made and must be resubmitted for review within the State's financial management and accounting system.

10.2.2.2 Delaware State Clearinghouse Committee (DSCC)

Once a month, DSCC meets to review grant applications. The Committee consists of the Chairman and Vice Chairman of the Joint Finance Committee, Controller General, OMB Director, Director of the Delaware Development Office, Secretary of Finance, and four members of the General Assembly. If a grant application is not approved, it is returned to the agency who requested the grant, with a written explanation as to why the application was not approved. If modifications to the grant application have been requested, changes made to the application must be made and resubmitted for review within the State's financial management and accounting system.

Grant holders are required to meet with DSCC annually. Funds are drawn against grants constantly, not just annually, to ensure compliance with the Cash Management Improvement Act (CMIA). The federal government may award a grant for multiple years. However, they may provide funding in smaller blocks of time, for example, annually for the three years of the grant. If a grant is awarded over multiple years, DSCC reviews the grant each year. For subsequent years, agencies are responsible for copying the original application, completing any necessary modifications, and submitting the application to Grant workflow for approval.

Additional information on DSCC's procedures is located at <http://budget.delaware.gov/clearinghouse/fedgrants.shtml>.

10.3 Post-Award Requirements

Post-Award requirements include the following items:

- Final detail budgets for expenses and revenues;
- Establishment of base transactional information;
- Contracts; and
- Projects.

Each item is listed in its individual section below.

10.3.1 Final Detail Budgets

Agencies are responsible for creating the final budgets within FSF, following approvals from DSCC and OMB.

10.3.2 Establishment of Base Transactional Information

Agencies must use the State's financial management and accounting system to create and establish profiles, documents, etc. that will facilitate transactions on behalf of the grant.

The completion of these elements must include the following components:

- ◆ Federal Award Reference Number;
- ◆ Whether the grant is an Indirect Grant; and
- ◆ A summarized federal draw report for Non-CMIA related grants.

10.3.3 Contracts

Following DSCC, OMB, and federal approval, agencies must create a contract in the State's financial management and accounting system to establish the funded award and the foundation for processing all transactions (both revenue and expenditure) against the sponsor.

A contract manages the posting of revenue to the general ledger through the use of revenue recognition plans. The method of revenue recognition used in the State's financial management and accounting system for grants is as incurred. This method is used manually to manage revenue on an as-needed basis. The As Incurred method is transaction-based revenue recognition and uses scheduled processing. As an activity is incurred and processed, revenue is recognized. This method is used with rate-based contract activity. Typically, this method is used on cost-reimbursable grants.

Some general information about using revenue recognition plans with Contracts is as follows:

- ◆ Every contract must have at least one revenue recognition plan.
- ◆ All revenue recognition plans must be associated with a revenue recognition method.
- ◆ Contract lines must be linked to a revenue recognition plan.
- ◆ Rate-based contract lines that have corresponding project resource rows are assigned or linked to as incurred revenue recognition plans.

All contracts must include the following components:

- ◆ The establishment of the Letter of Credit.
- ◆ The establishment of a Pre-Paid contract is required, if federal funds have been received in advance.
- ◆ A proper Billing Plan.

10.3.4 Projects

The State's financial management and accounting system utilizes several project-related functions to support grant-based financial transaction processing, including project (the purpose of the grant), activity (the objective to achieve the purpose of the grant), transaction inquiry, and budget.

Within the State's financial management and accounting system, every award requires the setup of a minimum of one project, and each project requires a minimum of one activity. Awards may have multiple projects, and projects may have multiple activities. For a transaction line to be entered into the transaction table, a project and an activity must exist.

Agencies may choose to control project budgets separately and, therefore, establish separate projects based on different principal investigators, departments, research phases, and locations. Agencies may systematically create projects during award setup or may add projects manually through the Project component. In addition, projects may be attached to an award and an award line.

The following steps are required to create and complete a project:

1. Establish a project type.
2. Identify activities defined by an agency.
3. Enable agencies to view transactions processed against specific projects and activities. These transactions also enable agencies to drill down to the specific source document.
4. Establish the grant budget details and finalize. Budget details enable amendments to by budget, such as:
 - Increasing or decreasing budgets;
 - Moving funds from one project or activity to another; and
 - Creating new projects or activities.
5. Establish Cash Management Improvement Act (CMIA) requirements and apply the CMIA component mapping as defined within the Treasury Agreement.

10.4 Draw Requirements

OMB is responsible for defining specific requirements regarding all draws on grants and are as follows:

- All draws are completed for the exact amount of the expenditure. Rounding on the draw is not permitted.
- Draws must be on a defined, routine schedule.

10.5 Cash Management Improvement Act

OMB is responsible for coordinating the activities necessary to comply with the Cash Management Improvement Act of 1990 (CMIA), as amended.

10.5.1 Overview of CMIA Process

The objectives of the CMIA are:

- **Efficiency** – To minimize the time between the transfer of funds to states and the payout for program purposes;
- **Effectiveness** – To ensure that federal funds are available when requested; and
- **Equity** – To assess an interest liability to the federal government and/or states to compensate for the lost value of funds.

The components, required by CMIA, are:

- Annual Treasury-State Agreement;
- Annual Report; and
- Annual Interest Exchange (if applicable).

10.5.2 Treasury-State Agreement

All states must enter into a Treasury-State Agreement (TSA) as required by CMIA. The TSA is an agreement between the federal and state governments as to the method that federal fund transfers will occur. All federal funds transferred to the states are covered. However, only major assistance programs (large-dollar programs) are included in a State's TSA.

The TSA includes the following:

- ◆ The listing of programs covered by the agreement.
- ◆ The funding techniques to be applied to programs in the agreement, including guidelines for requests for supplemental funding.
- ◆ The methods and standards used to develop and maintain clearance patterns.
- ◆ The method the State will use to calculate and document interest liabilities.
- ◆ The types of interest calculation costs the State expects to incur.

10.5.3 Clearance Patterns

Clearance patterns refer to the number of days lapsed from the time a payment is made by a state agency until the time the disbursement is redeemed by the program recipient. The clearance pattern is used as the basis for the timing of funding requests through the TSA.

Clearance patterns are developed from the Float Report, for the prior fiscal year. A clearance pattern extends, at a minimum, until 99 percent of the dollars in a disbursement for federal program purposes have cleared. Agencies shall maintain adequate documentation for the clearance pattern reported to OMB, which is subject to audit.

The State must re-certify the accuracy of a clearance pattern at least every five years. The State of Delaware performs this process annually to examine clearance pattern effectiveness, while also making adjustments for programs that may be included or removed from the TSA per the Schedule of Federal Awards (SEFA).

When any changes in clearance patterns or funding techniques occur, agencies must notify OMB, so the TSA can be amended appropriately. The State (agencies) must notify DOA in writing within 30 days of the time the State (agencies) becomes aware of a change.

10.5.4 Funding Techniques

Funding techniques are the methods which the federal government utilizes to transfer funds to state agencies for the State's federally sponsored programs. Funding techniques should be efficient and minimize the exchange of interest between the State and federal agencies. The following sample funding techniques are discussed in the Code of Federal Regulations:

- ◆ **Zero balance accounting** - The amount of federal funds transferred to a state, based on the actual amount of funds paid out by the State each day.
- ◆ **Projected clearance** – The transfer of federal funds to state agencies in accordance with a specified clearance pattern.
- ◆ **Average clearance** – The transfer of funds to a state agency based on the dollar-weighted average day of clearance for the disbursement. The dollar-weighted average day is determined from a clearance pattern as the day when, on a cumulative basis, 50 percent of disbursed funds have cleared.
- ◆ **Cash advance funding** – The transfer of the actual amount of federal funds to a state agency, not more than three business days prior to the day the State makes payment. Funds permitted to be drawn early are not interest neutral and are subject to interest liability.
- ◆ **Reimbursable funding** – The transfer of federal funds to a state agency after the State has paid out its own funds for program purposes.
- ◆ **Other** –FSF and the State may negotiate the use of mutually agreed upon funding techniques to address funding issues, which are unique to the State of Delaware.

Agencies should review their funding techniques annually and report any changes to OMB. When selecting funding techniques, agencies are encouraged to work with OMB and use those techniques, which are interest *neutral*. Agencies are responsible for using the funding techniques specified in the TSA for each applicable fiscal year.

10.5.5 Annual Report

The annual report is submitted into the State's financial management and accounting system, which details interest liabilities for both the federal and state governments. Federal funds drawn according to the TSA prevent the State from accruing an interest liability to the federal government.

10.5.6 Annual Interest Exchange

An interest liability is calculated by agencies in accordance with methods specified in the TSA. When the calculated federal liability is greater than \$5,000, the State's financial management and accounting system requires additional supporting documentation. State agencies must provide detail, supporting any liabilities owed by the federal government. This documentation is subject to audit and should be retained per records retention requirements. Payment of the difference between federal interest and state interest liabilities must occur no later than March 31.